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TAGS: [ECON](#) [ECPS](#) [ETRD](#) [NI](#)

SUBJECT: NIGERIAN TELECOMMUNICATIONS SECTOR INDICATORS

REF: 01 STATE 197204

[1](#)1. Market statistics: By most accounts, Nigeria's telecom sector witnessed significant growth in 2001, but accurate statistics are difficult to obtain. Although information regarding telecom companies and government agencies participating in the sector is current, data on growth trends is available up to 2000 only.

[1](#)A. Size of telecom service market: Annual revenue from the telecom sector is estimated to be over USD 10 million. Analysts place the current value of telecom and telecom-related investments in Nigeria at roughly USD 3 billion, not including the recent sale of NITEL, the state-owned telecom monopoly, which was sold to a consortium of international and domestic investors for USD 1.3 billion in November 2001 (but is yet to be paid for). During 2001, over half of the USD 3 billion was derived just from the two General System of Mobile communications (GSM) operators: MTN and Econet Wireless. Each licensee paid USD 285 million for their license. MTN claims to have invested USD 350 million so far and plans to spend another USD 600 million during 2002-2006.

[1](#)B. Size of telecom equipment market: Accurate estimates of the value of telecom equipment are unavailable. However, observers estimate the current market to be around USD 1.2 billion. Wireless equipment makes up over 60 percent of this level. Several reasons exist for the tilt towards wireless: Nigeria's size and topography, the dearth of hardwire infrastructure, and favorable policies encouraging wireless communications. U.S. company Motorola currently supplies wireless equipment to a Lagos-based distributor. Other major equipment providers include Ericsson, Alcatel and Siemens.

[1](#)C. Number of access lines and teledensity: According to the national telecom regulator, in 2000, the number of fixed lines was 558,393 with a teledensity of over four lines per 1,000 inhabitants (Note: using the estimated population figure of 120 million). Nigeria's suppressed demand is significant. Only 30,000 analogue lines have been added during the last ten years.

[1](#)D. Number of mobile subscribers: With only 35,000 subscribers at year-end 2000, mobile phone subscriptions skyrocketed to over 300,000 by December 2001. Teledensity is currently doubling every four months. Backbone and switching capacity is insufficient to support this demand.

[1](#)E. Number of internet subscribers: Current data is not available, although 2000 figures estimate the number of internet subscribers at 10,647. Speed and reliability are poor and costs are high.

[1](#)F. Current population: 120 million (estimate projected from 1991 census)

[1](#)2. Current Operators

[1](#)A. Wireline incumbent: Nigerian Telecommunications Ltd. (NITEL) is the only hardwire operator in Nigeria.

a. Percentage of government ownership: NITEL is the only company, in which the federal government holds an interest. Federal government shares in the company stood at 49% at year-end 2001. The remaining 51% shares were auctioned to Investment International (London) Ltd. (IIL) for USD 1.317 billion. All other operating companies are 100 percent privately owned.

b. Current efforts/future plans to privatize: Controlling interests in NITEL, the state-owned telecom monopoly, was

sold to an international consortium for USD 1.317 billion in November 2001. Final completion of NITEL's sale is anticipated on February 12, 2002 when IIL's full payment is due. The GON plans to eventually divest all its shares of NITEL. Licensing for a second national carrier is already in process.

c. Terms/scope of operations: At present, NITEL retains monopoly control of the international gateway (voice) and will do so until a second national carrier enters the market. Private telephone operators (PTOs) must obtain an inter-connectivity agreement with NITEL prior to operating and an operating license from the Nigerian Communications Commission (NCC).

B. Internet

a. Number of ISPs: About 160 ISP internet service providers have been licensed by the NCC as of December 2001. However, just 21 are currently operating. Demand for access to ISPs greatly outstrips ISP capacity. Access fees are high and service is frequently disrupted. The major constraints on increased internet availability include severely limited and corrupted telephone lines and highly unreliable power supply.

b. Availability in secondary cities: ISPs are only present in the major cities of Nigeria, such as Lagos, Abuja, Kano, Port Harcourt, Kaduna, Ibadan and Enugu.

c. Number and growth trends for cyber-cafes: According to end-2002 ISP data, approximately 1,500 cyber-cafes operate in Nigeria. Neighborhood private phone cabins (business centers- as they are called in Nigeria) are frequently equipped with computers for internet access.

d. Total national bandwidth: 2mb/s (year 2000 statistics).

e. Number of international data providers:

f. IP telephony: Internet Protocol telephony is used, although no official regulatory policy exists on Voice Over Internet Protocol, the privately managed IP network.

f. Other wireline operators: NITEL remains the only operator at present.

C. Wireless Operators

a. Mobile/cellular: Three companies are currently operating GSM mobile telecom services:

-- Econet Wireless Nigeria Ltd. A joint venture between Econet Wireless of Zimbabwe, which holds 60 percent of the shares, and the Lagos, Akwa-Ibom, and Delta State governments, First Bank PLC, Bromley Investments, Ocean and Oil, and various Nigerian individuals (40 percent).

-- MTN Nigeria Ltd. MTN South Africa holds 76.8% with the remaining 23.2% held by various Nigerian individuals.

-- NITEL, the national carrier, currently operates analogue lines through its subsidiary M-Tel. In January 2001, NITEL received a GSM license. The newly-privatized company anticipates rollout will occur in the first quarter 2002.

About a dozen fixed wireless companies including InterCellular Nigeria Ltd., Multilinks, Reliance Telecom, Cell Communications, Starcom, Mobitel, and VGC Telecommunications, have been established during the last four years.

b. Satellite: Nigeria is a signatory to Immarsat, Intelsat, Rascom, Thuraya, Eutelsat and Panasat. Ten commercial enterprises such as Telnet Resourcery Ltd., Teledom, and Bacomm presently operate VSAT services for banks, oil companies, and some other multi-national firms. VSAT is not currently available for individuals.

c. Internet access service: Four companies, Panafrican

Communications Network (PACONET), BT Nigeria Ltd., Bacomm, and Warsun Network, provide backbone support for another seventeen operating ISPs. Apart from the cyber cafes in Nigeria's major cities that have direct ISP access, others must dial-up to their ISPs located primarily in Lagos for access, often necessitating high cost, long distance trunk calls.

d. Other Notable Players: The telecom sector contains literally hundreds of small and medium-size companies operating at all marketing levels.

e. Wireless technology in use: NITEL/M-Tel uses primarily analogue networks, although it is currently testing 1,000 digital mobile lines in Abuja. MTN and Econet both utilize GSM digital networks.

1D. Telecom Equipment Manufacturers

a. Domestic Producers: No telecom equipment manufacturers currently operate in Nigeria.

b. Types of equipment for which there is a greater need: As part of the NITEL purchase agreement, Investors International Limited (IIL) will be required to increase the number of fixed lines by 1.5 million and the number of wireless lines by 1.5 million within five years. To accomplish this goal, much equipment will be needed to lay fiber-optic cable, provide wireline and wireless phones and erect cellular transmission towers.

13. Government

1A. The Federal Ministry of Communications oversees telecom issues.

Minister of Communications:
Dr. Mohammed Bello
Federal Ministry of Communications
Abuja, FCT
Tel: 234 09 523-7183
Fax: 234 09 523-7249

1B. Host government's announced/ongoing plans for developing the telecom/IT sector: The government is finalizing the sale of NITEL to Investors International Limited (IIL) consortium. The sale should be complete by February 12, 2002. The sale agreement mandates a significant expansion of fixed and wireless telephone services. Continued liberalization of this sector has led to an increase in the number of private fixed telephone operators.

1C. Current government policies promoting/hindering the development of the telecom sector: Current government policy supports the development of the private-sector telecommunications market, as evidenced by the recent sale of the government-controlling interest in NITEL.

14. Legal/ regulatory framework

1A. National telecom law: Decree No. 75 of 1992 established the Nigerian Communications Commission (NCC) as the regulator of the telecom sector. Draft telecommunications legislation is currently under review in the National Assembly. The new law will provide for a more independent and stronger regulatory role.

1B. Telecom regulatory authority: The Nigerian Communications Commission (NCC).

a. Name and contact information:
Alhaji Ahmed Joda
Chairman, Board of Directors
Nigerian Communications Commission
Benue Plaza, plot 72 Ahmadu Bello Way
Central District Area
PMB 326, Abuja, Nigeria.
Tel: 234 09 234-0330
Fax: 234 09 234-4593
234 09 234-4589
Http: www.ncc.gov.ng

Mr. Ernest Ndukwe

Executive Vice Chairman/CEO
Nigerian Communications Commission
Tel: 234 09 234-4590
Fax: 234 09 234-4593

b. Is the regulator still part of the ministry: No, the NCC is an independent regulatory body, though the Ministry of Communications monitors the implementation of government policy.

c. Main functions of the regulator: The NCC is responsible for licensing, assigning and registering frequency; administering the national phone numbering plan; facilitating private sector participation and investment; promoting and enforcing a fair competitive environment; regulating tariffs; defining standards for economic regulation of dominant operators; and establishing mechanisms for promoting universal access to telecom services.

d. General view of current regulator with respect to its independence: NCC is generally perceived as operating independently of political pressure. However, NCC's handling of the early 2001 GSM licensing round generated some controversy. One of the winning bidders, Communications Investment Limited (CIL), lost its license (and USD 20 million deposit) when NCC strictly applied bid payment rules. Some perceived the NCC action as excessively rigid, others as a sign of true transparency in the process, particularly since CIL was a Nigerian corporation.

15. Telecom Commercial Environment

1A. Current restrictions on foreign investment and commercial presence: There are no restrictions on foreign investment in telecommunications.

1B. U.S. firms interested/active in the sector: Motorola, Cisco, Qualcomm, Networking Services, Digital Networks, and Harris Corporation.

1C. Key problems U.S. telecom firms confront in pursuing commercial opportunities: Lack of local presence can be a major hindrance for U.S. companies exploring business opportunities in Nigeria. The overall lack of transparency in government contracting also poses an obstacle to U.S. firms.

1D. Upcoming telecom commercial opportunities for U.S. firms:

-- E-week, February 11-14, 2002, Lagos.

-- Computers, Telecommunications and Office Equipment (CTO), May 13-18, 2002, Lagos.

-- Nigeria Communications (NICOMM) 2002, October-November 2002, Lagos.

1E. Interconnection rates: NITEL's call rates are currently USD 0.86 and USD 0.06 per minute for international and local calls respectively. Mobile rates for the newly introduced GSM network is a flat USD 0.04 per minute.

1F. Telecom trade associations:

Association of Telecommunications Professionals of Nigeria (ATCON.)

Contact: Charles Joseph, President
Plot 213 Muri Okunola Street
Off Ajoye Adeogun Street
Victoria Island
Lagos
Tel: 234-1-262-2453; 320-1001; 264-5152
Website: www.atcononline.org

1G. Other useful websites:

U.S. Foreign Commercial Service
Contact: Miguel Pardo de Zela
U.S. Consulate General
2 Walter Carrington Crescent
Victoria Island, Lagos
Tel: 234-1-261-0241, ext. 380

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